

Message Text

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INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 INRE-00 USIE-00

ERDE-00 PA-01 PRS-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FEAE-00 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-01 TRSE-00 FRB-03 OIC-02 IO-10 EA-06

NEA-09 OPIC-03 LAB-04 SIL-01 AF-06 ARA-06 /130 W

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TO SECSTATE WASH DC IMMEDIATE 5644

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E.O. 11652: N/A

TAGS: ETRD, ENRG, OECD

SUBJECT: INFORMAL DISCUSSIONS AT MARCH 4 TRADE

COMMITTEE MEETING: TRADE IMPLICATIONS OF
ENERGY SITUATION

1. SUMMARY. TC CHAIRMAN HAS ASKED THAT DELEGATES BE PREPARED TO DISCUSS ENERGY-RELATED QUESTIONS DURING INFORMAL PART OF MARCH 4-5 TC MEETING. DISCUSSION MAY PROVIDE INFORMATION FOR USE OF IEA GOVERNING BOARD MARCH 6-7. MISSION BELIEVES TC SHOULD BE DISCOURAGED FROM SPECULATING ON DECISIONS GB IS TO MAKE THAT MAY HAVE TRADE IMPLICATIONS. END SUMMARY.

2. TRADE COMMITTEE CHAIRMAN HERMES HAS CIRCULATED LETTER (TD/5038) TO DELEGATIONS PROPOSING THIRD TOPIC (IN ADDITION TO TRADE PLEDGE AND MTN) FOR INFORMAL DISCUSSIONS AT MARCH 4 TRADE COMMITTEE, NAMELY "PROBLEMS OF TRADE AND TRADE POLICY CONNECTED WITH ENERGY QUESTIONS IN THE PERSPECTIVE OF THE DIALOGUE BETWEEN PRO-

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TIONS IN THE PERSPECTIVE OF THE DIALOGUE BETWEEN PRO-

DUCER AND CONSUMER COUNTRIES."

3. LETTER LISTS FOLLOWING AS EXAMPLES OF ASPECTS OF QUESTION WHICH MIGHT BE CONSIDERED BY TC:

- A. CHANGES IN TRADE PATTERNS AND STRUCTURAL ADJUSTMENT PROBLEMS AT THE PRODUCTION LEVEL;
- B. POLICIES WITH REGARD TO IMPORTS OF OIL, BUT ALSO OF OTHER PRODUCTS, INCLUDING MANUFACTURES, FROM THE OIL-PRODUCING COUNTRIES;
- C. POLICIES WITH REGARD TO EXPORTS TO THOSE COUNTRIES;
- D. POLICIES OR TRADING ARRANGEMENTS FOR TRADE IN ENERGY PRODUCTS BETWEEN OECD COUNTRIES.

4. HERMES PROPOSES FOLLOWING GOALS FOR EXCHANGE OF VIEWS AT MEETING:

- A. TO OBTAIN A CLEARER IDEA OF THE VARIOUS PROBLEMS ARISING;
- B. TO ESTABLISH AN ORDER OF PRIORITIES, IN PARTICULAR IN VIEW OF THE CONFERENCE BETWEEN PRODUCERS AND CONSUMERS;
- C. TO FIND OUT WHAT ANALYTICAL WORK WILL BE REQUIRED;
- D. TO SEE WHAT CONTRIBUTION OUR COMMITTEE MIGHT MAKE TO THESE VARIOUS ASPECTS.

5. LETTER STATES THAT THIS EXCHANGE OF VIEWS WILL "FIT INTO THE CONTEXT OF THE COOPERATION WHICH IS INTENDED BETWEEN THE IEA AND OECD COMMITTEES." IT NOTES THAT "QUESTION OF THE CONTRIBUTION TRADE COMMITTEE MIGHT MAKE TO THE WORK OF THE IEA WAS RAISED AT A RECENT MEETING OF ONE OF ITS BODIES" (PRESUMABLY THE SPC) AND THAT DEPUTY LIMITED OFFICIAL USE

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DIRECTOR HOPKINS HAS AGREED TO TAKE PART IN THIS PORTION OF TC MEETING AND TO KEEP TC INFORMED OF THE WORK IN PROGRESS OR ENVISAGED IN THE IEA ON THE QUESTIONS MENTIONED IN PARA 2.

6. COMMENT. LANTZKE HAS TOLD US HE THINKS TRADE COMMITTEE AND TRADE DIRECTORATE COULD DO USEFUL WORK FROM IEA STANDPOINT. MISSION AGREES THAT THERE ARE ASPECTS

OF ENERGY POLICY BEING WORKED OUT IN IEA THAT COULD AT SOME POINT USEFULLY BE EXAMINED FROM POINT OF VIEW OF IMPLICATIONS FOR TRADE POLICY. WE BELIEVE THAT TRADE COMMITTEE COULD PLAY HELPFUL ROLE IN THIS. HOWEVER, WE SEE SOME DANGER, GIVEN WORDING OF HERMES LETTER AND RUDIMENTARY STAGE OF DECISION-MAKING ON SOME KEY ISSUES IN IEA, THAT DISCUSSION AT TRADE COMMITTEE NEXT WEEK (JUST BEFORE GB) COULD INVOLVE A GOOD DEAL OF SPECULATION ABOUT IEA DECISIONS. SUCH SPECULATION IN TC WOULD NOT BE USEFUL TO IEA AND MIGHT IN FACT TURN OUT TO BE AN

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CIEP-01 COME-00 DODE-00 EB-07 FEAE-00 H-01 INR-07

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IMPEDIMENT TO WORKING OUT COMMON OR COORDINATED ENERGY POLICIES. WE HAVE DISCUSSED THIS POINT WITH HOPKINS, WHO FULLY AGREES AND WILL IF NECESSARY POINT OUT IN-APPROPRIATENESS OF CONSIDERING IMPACT OF DECISIONS NOT YET MADE. WE RECOMMEND US REP TAKE SAME POSITION.

7. THUS WE DO NOT BELIEVE THAT TC DISCUSSION SHOULD GO AS FAR AS HERMES SUGGESTS (PARA 4 ABOVE). HOWEVER' PRELIMINARY INFORMAL DISCUSSION COULD REASONABLY COVER FOLLOWING POINTS:

A. PAST, CURRENT AND PLANNED TC ACTIVITIES THAT MIGHT BE RELEVANT TO IEA. HOPKINS HAS EXPRESSED PARTICULAR INTEREST IN THIS SUBJECT. WORK ON COMMODITIES AND ON EXPORT CONTROLS MAY FALL IN THIS CATEGORY.

B. SUBSTANTIVE PROBLEMS ARISING FROM ENERGY LIMITED OFFICIAL USE

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SITUATION NOT DEPENDENT ON IEA POLICY DECISIONS. SUGGESTIONS THAT HAVE BEEN MADE INCLUDE IMPACT OF NEW TRADE PATTERNS, INVOLVING CONSIDERABLY ENHANCED ROLE FOR OPEC COUNTRIES, ON MULTILATERAL TRADING SYSTEM INCLUDING GATT.

C. FUTURE WORK OF TC. IT WOULD SEEM PREMATURE TO TRY TO DEVELOP TC WORK PROGRAM RELEVANT TO IEA AND PRODUCER-CONSUMER DIALOGUE. HOWEVER, TC MIGHT WELL EXPRESS ITS WILLINGNESS TO ADDRESS PROBLEMS THAT THE GB MAY IDENTIFY IN CONNECTION WITH DEVELOPMENT OF COMMON ENERGY POLICIES AND PREPARATION FOR PRODUCER-CONSUMER DIALOGUE. DELS HERE, FOR INSTANCE, HAVE SUGGESTED TRADE POLICY ASPECTS OF DIFFERENT METHODS OF SUPPORTING GUARANTEED PRICE FOR ALTERNATIVE SOURCES OF ENERGY AND THEIR RELATIONSHIP TO MFN COMMITMENTS WOULD AT APPROPRIATE TIME BE SUBJECTS WORTH STUDYING IN TC, THOUGH CLEARLY IT WOULD BE PREMATURE TO SUGGEST SPECIFIC TOPICS OF THIS SORT AT TC NEXT WEEK.

7. AS INDICATED SEPARATE TELEGRAM, "PROGRESS REPORT AND TASKS TO BE UNDERTAKEN ON TRADE PROBLEMS" IS PART OF ITEM 7 OF GB AGENDA. WE UNDERSTAND I W SECRETARIAT WILL INTRODUCE THIS ITEM WITH REPORT OF TC DISCUSSION. TURNER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, MEETING AGENDA, COMMITTEE MEETINGS, MEETING DELEGATIONS, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 27 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OECDP05113
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750069-0746
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975027/aaaaafvb.tel
Line Count: 212
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 13 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 MAY 2003 by ifshinsr>; APPROVED <15 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INFORMAL DISCUSSIONS AT MARCH 4 TRADE COMMITTEE MEETING: TRADE IMPLICATIONS OF
TAGS: ETRD, ENRG, OECD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006